

**UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF MICHIGAN
SOUTHERN DIVISION – FLINT**

In re:

Case No. 24-31912-jda

Cost Less Distributing, Inc.,

Chapter 11, Subchapter V

Debtor.

Hon. Joel D. Applebaum

**UNITED STATES TRUSTEE’S OBJECTION TO
PLAN OF REORGANIZATION FOR THE DEBTOR UNDER
SUBCHAPTER V OF CHAPTER 11 OF THE BANKRUPTCY CODE**

Andrew R. Vara, United States Trustee, states as follows:

Preliminary Statement

The Debtor seeks to confirm a plan of reorganization that does not provide reliable projections and is not economically feasible; confirmation must therefore be denied.

Background

1. On October 7, 2024 (the “Petition Date”), Costs Less Distributing, Inc. (the “Debtor”), filed a voluntary petition for relief under Chapter 11, Subchapter V of the Bankruptcy Code, Case No. 24-31912.

2. Kimberly Ross Clayson was appointed the Chapter 11 Subchapter V trustee.

3. The Debtor filed schedules and a statement of financial affairs on October 27, 2024 [Dkt. No. 32].

4. The Section 341 meeting of creditors was held and concluded on October 31, 2024.

5. The Debtor sells pet treats and related products to independent pet stores.

6. The Debtor has alleged that this bankruptcy reorganization will be successful because it has been able to increase sales and decrease costs.

7. The Monthly Operating Reports (“MORs”) show the Debtor has increased sales:

- a. October total sales were \$358,947.41 [Dkt. No. 49];
- b. November total sales were \$483,905.84 [Dkt. No. 56]; and
- c. December total sales were \$482,546.79 [Dkt. No. 62].

8. On January 6, 2025, the Debtor filed Plan of Reorganization for Debtor Under Subchapter V of Chapter 11 of the Bankruptcy Code (the “Plan”) [Dkt. No. 57] and attached the required financial projections [Dkt. No. 57-2] (the “Plan Projections”).

The Plan Projections are Unreliable

9. The Plan Projections cover 2025-29 and are broken down by year, and not by month. This makes them confusing and hard to interpret.

10. Per the Debtor's counsel, the Debtor based the Plan Projections on its 2022 and 2023 financial information.

11. The Debtor's yearly total sales projections for 2025-29 should not rely on 2022 and 2023 figures when it has increased sales as demonstrated by recent MORs.

12. Likewise, the Debtor's cost projections for 2025-29 should not rely on data from 2022 and 2023 as the Debtor has indicated it would reduce costs.

13. In addition, the Plan Projections include at least one cost that has not been substantiated or explained: professional fees for every year of approximately \$24,000.00. While this cost makes sense when bankruptcy professional fees will need to be paid, it does not make sense for future years.

The Plan is not Feasible

14. The Debtor's ability to make the proposed payments is not supported by the MORs.

15. The Debtor proposes to make monthly payments to creditors totaling approximately \$25,695.00.

16. The Debtor has total net profits of \$65,290.00 for the three months it has filed MORs - October through December 2024 [Dkt. No. 62, page 2], or \$21,763.00 per month. This not sufficient income to make the proposed Plan payments.

17. Moreover, the MORs contain costs that may not be accurately accounted for in the Plan Projections.

18. The Debtor spent \$66,624.07 in three months on supplies and office expenses [Dkt. No. 62, page 2], but there is not a corresponding expense in the Plan Projections [Dkt. No. 57-2].

19. The Debtor spent \$30,700.20 in three months on bank and credit card fees [Dkt. No. 62, page 2], but the Debtor projects less than \$40,000.00 per year for 2025-29 for the same expenses [Dkt No. 57-2].

20. Finally, the Debtor spent \$94,473.00 in three months on shipping [Dkt. No. 62, page 2], but the Debtor only projects an average annual shipping expense of \$230,120.00 for 2025-29 [Dkt No. 57-2].

Code Provisions

21. The Debtor is required to propose a plan that includes projections that demonstrate the debtor's ability to make payments under the proposed plan. 11 U.S.C. § 1190(1)(C).

22. The Plan Projections do not demonstrate the Debtor's ability to make the proposed Plan payments.

23. The Plan does not comply with 11 U.S.C. § 1190(1)(C).

24. To be confirmed, the Debtor's plan must be feasible. 11 U.S.C. § 1129(a)(11).

25. The Debtor has not demonstrated that the Plan is feasible.

26. The Plan therefore does not comply with 11 USC § 1129(a)(11).

WHEREFORE, the United States Trustee objects to confirmation of the Plan and requests that the Debtor

Respectfully submitted,

ANDREW R. VARA
UNITED STATES TRUSTEE
Regions 3 and 9

By: /s/ Kelley Callard
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Dated: February 6, 2025

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CERTIFICATE OF SERVICE

I hereby certify that on February 6, 2025, I electronically filed the documents specified in paragraph 1 below using the ECF System, which will send notification of such filing to all counsel of record. I hereby further certify that on February 7, 2025, I served copies as follows:

1. Documents Served: *United States Trustee's
Objection to Debtor's Plan
of Reorganization and
Certificate of Service*
2. Served Upon: Cost Less Distributing, Inc.
4381 Davison
Burton, MI 48509
3. Method of Service: First Class Mail

By /s/ Denise M. White
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Dated: February 6, 2025